

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:682

ANSWERED ON:28.07.2006

RECOMMENDATIONS OF INVESTMENT COMMISSION ON FDI

Adhalrao Patil Shri Shivaji; Adsul Shri Anandrao Vithoba; Verma Shri Ravi Prakash

Will the Minister of FINANCE be pleased to state:

(f) whether high profile Investment Commission has recommended large scale increase in foreign investment caps for sectors like banking and insurance and allowing Foreign Direct Investment (FDI) in retail as reported in the Times of India dated July 14, 2006.

(g) If so, the facts of the matter reported therein ;

(h) Whether before recommending, the panel has considered all the aspects to ensure the future of domestic retails ;

(i) If so, whether the Government has accepted the recommendations; and

(g) If so, the details thereof ?

Answer

To be answered by Minister of State in the Ministry of Finance (SHRI PAWAN KUMAR BANSAL)

(a) and (b) : The Investment Commission in its report of February 2006 titled 'Investment Strategy for India' has observed that for sustaining growth at over 8% per annum will require an increase in investment levels in the economy from approximately 28% of GDP to about 32% of GDP. Over the next 5 years, this translates to a cumulative investment of about \$ 1.5 trillion. The Commission has set itself the goal to increase the level of FDI from the existing level of about \$ 5 billion to \$ 15 billion by 2007-08. The Commission studied 25 key sectors spanning Infrastructure, Manufacturing, Services, Natural Resources and the Knowledge Economy.

(c): The Commission has observed that an efficient and competitive retail sector can increase private consumption leading to growth in manufacturing and agriculture, and will create jobs. With the right policy enablers, organized retail has the potential to grow over five-fold in the next 5 years from the present level of 3 per cent, requiring an investment of about \$5-\$6 billion. The Commission has recommended for permitting FDI in retail up to 49 per cent under automatic route, in the first Instance.

(d) and (e): The Government of India has undertaken a comprehensive review of the FDI policy and associated procedures in February 2006. As a result, a number of rationalisation measures have been undertaken which, inter-alia include allowing FDI up to 51 % with prior Government approval for retail trade of 'Single Brand' products.